**NEWSPAPERS**
**By DEBBIE SOLOMON**
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## Newspaper rate differentials

For years, newspaper publishers have charged national advertisers higher rates than local retailers. A recent study by the American Association of Advertising Agencies (4A's) shows that a situation is getting even worse: Newspapers are raising their national rates at a faster pace than their retail rates. Below is an analysis of the latest research study.

### Key findings

The 4A's study found that national advertisers paid 60.5% more than retail advertisers in 1984 for an annual contract of 20,000 lines. (This contract size was used as the basis of comparison because it represents a meaningful discount level for retail advertisers, yet it is not beyond reasonable consideration for a national advertiser.) This is the second-highest differential in the 51-year history of the study; the highest differential was 61.7% in 1963. Although the differential decreased after 1963, it has been increasing steadily since. By comparison, the average differential in 1933, when the 4A's did its first survey, was 37.9%.

Unlike what is commonly believed, the differential tends to be larger for major metropolitan newspapers and smaller for small-town newspapers. Among papers with over 250,000 circulation, the average differential was 87.2% in 1984, while for papers with less than 25,000 circulation, it was only 38.2%

The differential has increased across all circulation categories since 1982, with papers in the 50,001 to 100,000 circulation range having the greatest increase.

The differential varies greatly from paper to paper. The paper with the largest differential in 1984 was the *Des Moines Register* (188%). An additional 11 papers, including the *Newark Star-Ledger* and the *Omaha World-Herald*, exceeded 150%. By comparison, the *Little Rock Gazette* was at 17% and the *Fresno Bee* and *Chicago Sun-Times* were at 40%. A number of smaller papers had no differential and a few unidentified smaller papers had national rates which were lower than their retail rates.

### National vs. Local Newspaper Ad Rates

**Average Differential by Circulation**

| Circulation | 1982 | 1984 | % Increase 1982 - 1984 |
|---|---|---|---|
| over 250,000 | 80.9 | 87.2 | 9% |
| 100,001 - 250,000 | 65.4 | 74.7 | 18 |
| 50,001 - 100,000 | 35.5 | 53.7 | 51 |
| 25,001 - 50,000 | 40.6 | 47.3 | 16 |
| under 25,000 | 35.0 | 38.2 | 9 |

Source: 4As

### Top 10 Newspapers: local vs. national rates

**Cost of a 500 Line Ad**

| Rank | Newspaper | Local | National | % Diff. | National Ad Less Agency Commission | % Diff. |
|---|---|---|---|---|---|---|
| 1 | New York Daily News | $4310 | $8510 | 97.5% | $7234 | 67.8% |
| 2 | Los Angeles Times | 2575 | 4310 | 67.4 | 3664 | 42.2 |
| 3 | New York Times | 2500 | 5430 | 117.2 | 4616 | 84.6 |
| 4 | New York Post | 2175 | 5400 | 148.3 | 4590 | 111.0 |
| 5 | Chicago Tribune | 2624 | 5964 | 127.4 | 5070 | 93.3 |
| 6 | Washington Post | 1775 | 4130 | 132.7 | 3511 | 97.8 |
| 7 | Detroit News | 1890 | 4085 | 116.1 | 3472 | 83.7 |
| 8 | Chicago Sun-Times | 2215 | 3100 | 40.0 | 2635 | 19.0 |
| 9 | Detroit Free Press | 1975 | 3515 | 78.0 | 2988 | 51.3 |
| 10 | Long Island Newsday | 1870 | 3825 | 104.6 | 3251 | 73.9 |
| | TOTAL | $23,909 | $48,270 | 101.9% | $41,031 | 71.6% |

Source: 4As

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**Why the discrepancy?**

Newspapers defend the rate differential by saying it costs more to do business with national advertisers because of agency commissions. However, the average differential, 60.5%, is considerably higher than the standard agency commission of 15.0%. We did an analysis of rates for the ten top circulation newspapers to see what would happen to the differential if agency commissions were not a factor. The basis of our analysis was a schedule of one 500-line ad in each paper. Based on published rates, a national advertiser would pay 101.9% more than a local retailer would pay. After the 15.0% agency commission was subtracted from the national rates, the national advertiser would still pay 71.6% more than the local retailer.

**National ad premium vs. retail**

| Year | Rate differential |
|---|---|
| 1933 | +37.9% |
| 1943 | 48.6% |
| 1953 | 54.5% |
| 1963 | 61.7% |
| 1973 | 48.2% |
| 1980 | 54.5% |
| 1982 | 59.8% |
| 1984 | 60.5% |

Source: 4A's

Another reason newspapers give for higher national rates is that national ads involve higher production and traffic costs. However, it is our feeling that this is not true. National advertisers usually send finished materials whereas the newspapers set type and do layout for many local ads. It appears that the differential is more a question of what the "traffic will bear."

A final consideration is that local retailers are much more important to newspapers' livelihoods than national advertisers. In 1984, roughly 87% ($20.8 billion) of newspapers' total ad revenues came from local advertisers. (This breaks into $13.3 billion for retail advertising and $7.5 billion for classified advertising.) As long as the rate differential continues, it's hard to imagine the proportion of national advertising in newspapers increasing. ■

**We'll have to learn how each group of people thinks about the whole range of options competing with what we have to sell and design the product to their specifications.**

way that breaks through ever-increasing clutter. That, my friends, is a tall order, but — and this may come as the biggest bit of news — it is something successful marketers and advertisers are already doing. Imagine, a product and the advertising for it being viewed from the *customer*'s perspective. Take the Macintosh computer, for example. It really is the one for "the rest of us" who don't want to plow through a lot of computer mumbo-jumbo.

In fact this return to basics may not be so surprising after all. Someone said that the more things change, the more they stay the same. If so, the future may be more like the present (or the past) than we expect.

Except I wager it will be even more. ■

**CABLE**
**By BETSY FRANK**
Vice president, associate media research director, Dancer Fitzgerald Sample

## Tuning in to VCR usage

At current penetration levels, videocassette recorders are having a minimal impact on national network ratings, according to the first (December 1984) Nielsen VCR Status Report. We wonder if that statistical finding doesn't cloud the real issue.

### Background

It has been said that in its first decade of life, the VCR has entered American homes more rapidly than color tv during its comparable introductory period — in fact, more rapidly than any home electronic gadget except television itself.

The ability to totally program one's own video environment has resulted in videocassette recorders doubling from 10% to 20% of all households in the last year. In evaluating the impact of the VCR, it becomes imperative for our research sources — especially Nielsen — to provide us with complete, timely, usable data.

In response, Nielsen has begun release of its VCR Status Report. The report is scheduled for monthly delivery and contains data on VCR activity in three dayparts: total day, prime, and M-F daytime. A quarterly report will

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# A defense against cancer can be cooked up in your kitchen.

There is evidence that diet and cancer are related. Some foods may promote cancer, while others may protect you from it.

Foods related to lowering the risk of cancer of the larynx and esophagus all have high amounts of carotene, a form of Vitamin A which is in cantaloupes, peaches, broccoli, spinach, all dark green leafy vegetables, sweet potatoes, carrots, pumpkin, winter squash, and tomatoes, citrus fruits and brussels sprouts.

Foods that may help reduce the risk of gastrointestinal and respiratory tract cancer are cabbage, broccoli, brussels sprouts, kohlrabi, cauliflower.

Fruits, vegetables and whole-grain cereals such as oatmeal, bran and wheat may help lower the risk of colorectal cancer.

Foods high in fats, salt- or nitrite-cured foods such as ham, and fish and types of sausages smoked by traditional methods should be eaten in moderation.

Be moderate in consumption of alcohol also.

A good rule of thumb is cut down on fat and don't be fat. Weight reduction may lower cancer risk. Our 12-year study of nearly a million Americans uncovered high cancer risks particularly among people 40% or more overweight.

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also be issued which will include trend data for additional dayparts, as well as usage by night of the week.

### Key findings

- VCR household HUT levels (excluding time spent playing tapes) are about the same as non-VCR household levels.
- On a 24-hour basis, about 7% of VCR household total set usage is devoted to playing tapes.
- On average, almost two-thirds of all recording is done with the set off, although the figure is twice as high for daytime as primetime.

### Details

- TV usage: Excluding play, set usage in VCR homes is only marginally higher than in non-VCR homes.

| | % HUT | | |
|---|---|---|---|
| | Total U.S. | Non-VCR | VCR |
| M-S 24 hour | 31.0 | 30.9 | 31.9 |
| M-S prime | 63.2 | 63.1 | 64.3 |
| M-F day | 27.9 | 27.9 | 28.2 |

- Play: Play adds significantly to VCR household usage levels, representing 7% of total usage.

| | | VCR HH | |
|---|---|---|---|
| | HUT | Play | Total |
| | (no play) | | |
| M-S 24 hour | 31.9 | 2.3 | 34.2 |
| M-S prime | 64.3 | 4.7 | 69.0 |
| M-F day | 28.2 | 2.1 | 30.3 |
| | 93% | 7% | 100% |

- Recording: Recording with the set turned off is responsible for the greatest portion of total recording. In daytime, especially, it accounts for over four-fifths of all recording:

| | |
|---|---|
| M-S 24-hour | 59% |
| M-S prime | 41% |
| M-F day | 80% |

- Viewing and recording the same channel simultaneously accounts for less than one-third of total recording, although this is more likely to occur in primetime:

| | |
|---|---|
| M-S 24-hour | 29% |
| M-S prime | 36% |
| M-F day | 12% |

- Twelve percent of all recording is done while viewing one channel and recording a different channel:

| | |
|---|---|
| M-S 24-hour | 12% |
| M-S prime | 23% |
| M-F day | 8% |

### Implications

Some in the industry feel that VCR recording should not receive credit for viewing in the national ratings. The Nielsen VCR Status Report indicates that at least for now, the impact is slight. Total network usage increases by .1 for M-S 24-hour, .4 for M-S prime, and .2 for M-F day. While we welcome publication of the report, we do have some concerns on current Nielsen reporting of VCR usage:

- The estimated VCR penetration of the NTI meter sample is low — considerably below most industry projections, and even below Nielsen's own NAC (diary) sample. This is a combined result of field problems in metering VCR households, and delays in notifying Nielsen when a metered home acquires a VCR. We have asked Nielsen to accelerate its schedule to bring the sample up to industry estimates. Until then, any attempt to gauge the national impact of VCR recording and play will be understated.

**The estimated VCR penetration of the NTI sample is low — considerably below most industry projections.**

- Play data are currently very limited. Although Nielsen can identify when play occurs, they cannot identify what is being played (pre-recorded or previously recorded?) or how (fast-forward/speed search?). A meter adjunct is now being field tested which will encode a tape during recording for identification during play.

We are reminded of the early days of cable research: We all felt that something must be happening to broadcast tv, but little was showing up in the standard NTI reports. Not until pressure was put on Nielsen to increase the sample in cable households and modify/supplement existing reports were we able to see the impact cable was having on viewing.

We urge Nielsen not to wait so long with videocassette recorders, and to make improved VCR measurement and reporting a priority for 1985. ■

# The beer market falls flat

**Demographics caught up with the beer industry last year: Not only is America's aging population drinking less, but it's also pushing for more control of alcohol abuse. The change is forcing brewers to develop new niches, and try salvaging established ones.**

"It doesn't make sense to jog five miles, come home and get drunk." So suggests John C. Maxwell, a beverage industry analyst with Furman Selz Mager Dietz & Birney, referring to lifestyle changes that have precipitated the first decline in beer consumption in three decades. After several years of sluggish growth, beer's fizzle has gone flat. Industry sales retreated to 182.7 million barrels in 1984, a .6% drop from 1983, according to figures compiled by Maxwell.

Demographic pressures have been squeezing the industry since the beginning of the decade. The major force is often termed "the aging of America," a simple phrase that spells long-term trouble for the industry. The beer drinker tends to be between 18 and 40 years old, and about two-thirds of them are male. As long as post-war babies christened their passage into adulthood with the brew, that profile was great for brewers. Domestic volume swelled, from 87.9 million barrels in 1960, to 121.9 million barrels in 1970, peaking at 183.8 million barrels in 1983. But that prime age group is shrinking: Four years ago, about 59% of all 18- to 40-year-olds drank beer; today, that number has dropped to about 52.5%. To brewers' distress, the baby boomers are nearing another rite of passage — and trading in their beer mugs.

The problem isn't only who drinks beer, but how much that drinker con-

*Coors is expanding its light label nationally.*

**First nine months, 1984, media expenditures, leading domestic brewers**

| Company | Total | Mags | Newsp | Net tv | Spot tv | Net radio | Spot radio | Outdoor |
|---|---|---|---|---|---|---|---|---|
| Anheuser-Busch | $183,302.8 | $5,162.5 | $4,323.1 | $110,620.0 | $39,464.8 | $4,533.8 | $15,015.7 | $4,182.9 |
| Miller | 139,720.0 | 1,612.1 | 1,183.7 | 94,427.3 | 23,176.9 | – | 18,738.7 | 581.3 |
| Stroh | 52,531.2 | 1,493.3 | 375.8 | 28,546.4 | 9,687.0 | – | 9,989.4 | 2,439.0 |
| Heileman | 18,468.0 | – | 624.2 | 1,713.1 | 9,514.3 | – | 5,529.3 | 1,087.1 |
| Coors | 40,676.0 | 259.1 | 499.6 | 4,015.9 | 20,026.6 | – | 15,489.9 | 384.9 |

Source: Leading National Advertisers, Broadcast Advertisers Reports; Radio Expenditure Reports figures courtesy of the RAB; nine-month newspaper estimates, based on Media Records annual figures.

sumes. As if a declining audience was not enough, the industry faces a dramatic change in popular consciousness: the sobering of America. In four years, overall alcohol consumption has fallen to under half the 1980 level. The effect has been less pronounced for brewers than for distillers, but perceptible nonetheless. Not only are beer drinkers downing fewer beers in one sitting, but they are opting for alternatives better suited to a healthy lifestyle. While the industry is feeling especially heavy losses in the premium segment (45% of the total), sales of non-alcoholic beverages are soaring. Contenders come from every corner: bottled water (up 188% in four years), and even soda (11%).

Along with the changes in taste has come a change in the perception of alcohol's effect on society. The rising tide of popular activism threatens brewers from several sides. Steady campaigning by such groups as Mothers Against Drunk Driving (MADD) has led to legislation raising the legal drinking age in many states. The Surface Transportation Assistance Act will soon deny federal highway funds to any state that hasn't raised the minimum legal age to 21 by October 1986. The move could cost brewers as much as $82 million in lost revenue.

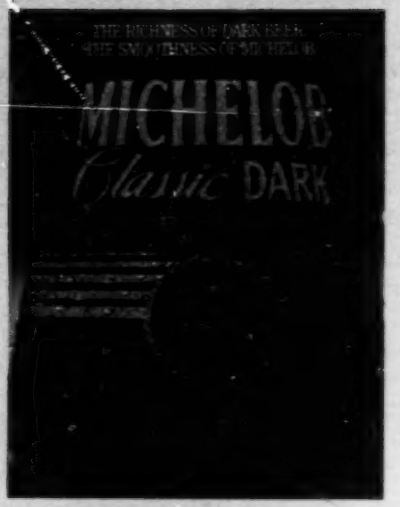
Elsewhere, a coalition, led by the Center for Science in the Public Interest (CSPI), seeks to ban beer and wine advertising from the airwaves. The debate centers on the influence of advertising, often depicting such celebrities as former sports stars, on youthful drinking habits. At stake: the $750 million beer and wine marketers spend annually on radio and television advertising. Since 1975, brewers' outlays have increased more than fivefold, to more than $600 million last year. In that period, per-capita beer consumption has risen only 14%, a statistic brewers cite to support their contention that advertising expenditures are intended to woo current drinkers away from other brands. The public activist groups charge that the advertising attracts non-drinkers and underaged would-be drinkers.

**Beer drinkers don't become diet-conscious until they're in their thirties.**

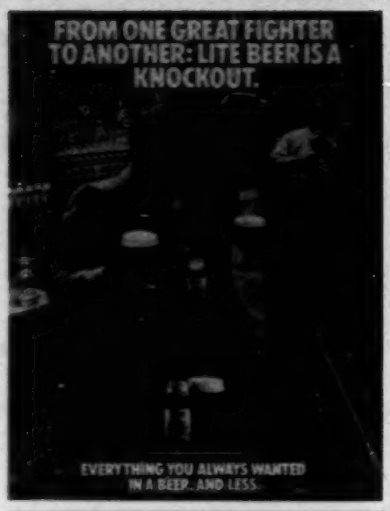
Legislative solutions to alcohol abuse have already had an effect on beer consumption. So far, 23 states have passed dram-shop laws holding bars, restaurants, package stores, and, in some cases, individuals liable for road accidents caused by drunk driving. A growing number of states have okayed stricter penalties for driving while intoxicated (DWI): 16 states now impose a jail sentence for a first offense, and 41 for a second. The moves have drawn some criticism from Constitutional watchdogs, but the popular tide of neo-prohibition has overcome objections so far. The next target: happy hours and other such inducements, already banned in Massachusetts and under consideration in other states.

The cumulative effect, say brewers, is terrifying. When Colorado passed a stiff drunk-driving law in November 1984, sales in the holiday season fell "20% to 25%," according to Tom Schwalm, executive vice president of marketing for Dribeck Importers, the American distributors of Beck's beer. "Wholesalers told us their wine and liquor displays for the Christmas season," a peak selling season, "just sat there," he says. Next on the legislative agenda is a possible hike in the excise tax, already scheduled to increase 19% for hard liquor in October 1985. Efforts by Anheuser-Busch, Miller, Heileman and Coors to educate drinkers have only earned these brewers an increased measure of suspicion from anti-abuse groups who point to concurrent collegiate promotions. Also taking a toll are the "bottle bills," which require the consumer to pay an additional five cents deposit per bottle. Robert S. Weinberg, an industry consultant, estimates that as much as half the decline in consumption can be attributed to the bills in effect in the Northeast.

These changes in the competitive environment hit the major domestic brewers differently. The exact figures on brand performance and segment growth vary among such industry sources as Maxwell's report for *Beverage Industry* and the tabulations kept




**Anheuser-Busch hopes a new campaign will attract upwardly-mobile professionals to its super-premium.**




**Miller Lite, introduced 10 years ago, is now the number-two brand, overall, and tops in the crowded low-calorie segment.**

by *Impact*, another industry newsletter, because states report differently and the industry analysts have different methods of tabulation. However, the general trends are the same. Since 1982, Miller (1984 volume, according to Maxwell, 37.9 million barrels) and Stroh (23.9 million barrels) have invested heavily in the popular-priced segment once dominated by Heileman (17.0 million barrels). Even leader Anheuser-Busch (68.8 million barrels) has manipulated the price of its Natural Light and Busch brands, both of which hang between the premium and popular-priced points.

Some observers believe all this activity in the 42 million barrel pop-priced segment is squeezing already eroding profit margins for some of the players — especially since Miller upped the ante by supporting its two new entries, Milwaukee's Best and Meister Brau, heavily.

Growth in this segment, as well as continued increases in light beer consumption (36.4 million barrels) and imports (7.1 million barrels), hasn't been enough to offset losses in super-premiums, premiums, and malt liquors, though. And low alcohol beers, introduced this year, haven't turned out as well as hoped. Led by Anheuser-Busch's LA brand, several brewers entered the segment, hoping to boost overall volume. Some analysts, such as Emanuel Goldman, beverage analyst at Montgomery Securities, feel the effort is suffering from its mixed message: Low-alcohol beers try to appeal to a marginal beer drinker who is more likely to consider alternatives, such as soft drinks. Other analysts, including Maxwell, believe it's too early to tell how the low-alcohol segment will develop.

Light beers, on the other hand, which appeal to both diet-conscious drinkers and heavy drinkers, keep growing. Explains Jack McDonough, vice president of brand management at Anheuser-Busch, "People don't worry about their caloric intake until they're in their 30's."

All this, say marketers, means more consolidation ahead among regional brewers and wholesalers. One catalyst, says Robert Rechholtz, senior vice president of marketing and sales at Coors, is Anheuser-Busch's announced intention not to raise prices more than cost increases. This move by the industry's price leader, he explains, will squeeze profitability for brewers — and distributors as well — who do not have the same economies of scale as the number-one brewer.

The environment for acquisitions has been changing, too. "Historically, there have been three valid reasons for an acquisition," explains Weinberg. "A brewer with excess capacity could gain significant economies of scale by shutting down his excess and putting his barrels in [the acquired brewer's] plant. If you needed more capacity, it would be cheaper to acquire it than to build it. Or, if you are a regional brewer who wants to expand geographically, you buy a wholesale organization and brewery."

Since marketing expenditures have risen so dramatically, brewers have discovered another reason for buying. A national advertising budget translates into minimum production of 20 million barrels. This was the opportunity, says Weinberg, that Stroh saw in the acquisition of Schlitz. Future acquisitions, on a smaller level, may be driven more by the need to survive rather than by expansionary ambitions.

The evolving acquisition of Pabst, the nation's sixth-largest brewery, is somewhat different. Even since Heileman bought part of Pabst in 1982, the larger brewer has been angling to buy the rest, now owned by the S&P Company, which is controlled by investor Paul Kalmanovitz. But Stroh and other brewers objected to Heileman's offer last December, and a judge blocked the Heileman bid. Since Kalmanovitz gained control of the company less than two months ago, he has cut the marketing budget and let go some 200 employees, including the marketing staff.

Marketing budgets in this industry have been skyrocketing, primarily fueled by Anheuser-Busch's sudden aggression in the mid-1970's. Until then, Miller, acquired by Philip Morris in 1970, had been outspending the industry three-to-one on a per-barrel basis. This heavy investment strategy helped Miller Lite rise to its current number-two position among the top 10 brands, in a segment that already had smaller entries and has since seen a proliferation of new brands. But in 1977, Anheuser-Busch put its new marketing plan to work, doubling spending in a year. Since then, budgets all around have been increasing rapidly. Almost all of last year's $600 million+ went into television, and much of that into network. Last year, the five major domestic brewers invested between 65% and 99% of their network dollars into sports programing, sug-

**Brewer's estimated market shares**

| | 1979 | 1981 | 1983 | 1984E* |
|---|---|---|---|---|
| Anheuser-Busch | 26.8% | 30.0% | 33.6% | 35.9% |
| Miller | 20.8 | 22.2 | 20.8 | 21.3 |
| Stroh | 15.3 | 12.9 | 13.5 | 13.4 |
| Heileman | 6.6 | 7.7 | 9.7 | 9.6 |
| Coors | 7.5 | 7.3 | 7.6 | 7.5 |
| Pabst | 12.3 | 10.5 | 7.1 | 6.6 |
| Genesee | 2.0 | 2.0 | 1.8 | 1.7 |
| Schmidt | 2.2 | 1.6 | 1.7 | 1.6 |
| Pittsburgh | 0.4 | 0.5 | 0.6 | 0.5 |
| Others, Net* | 6.1 | 5.3 | 3.6 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

*Includes imports and excludes tax free E*Estimated

Source: Maxwell Report, Beverage Industry, January 1985

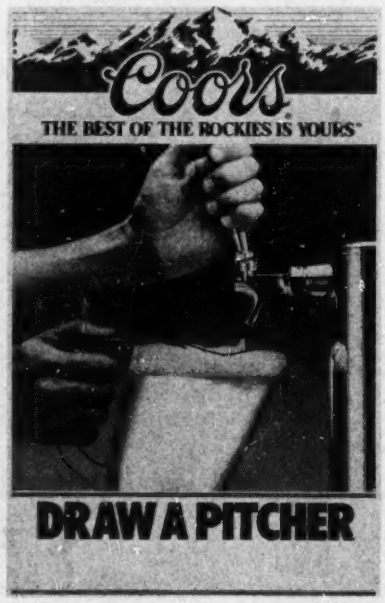
gesting that, even though sports audiences have been declining, it's still the best game in town.

### Domestic beer

In 1970, there were 93 breweries in the U.S. Today, there are 43. The top six brewers — Anheuser-Busch, Miller, Stroh, Heileman, Coors, and Pabst — put out about 92% of the industry total. Miller and Anheuser-Busch alone make up 53% of the volume. Since growth started slowing at the beginning of the decade, marketing budgets have been escalating, as the major players try to wrest share from each other. Robert S. Weinberg, an industry consultant, estimates that a national brewer must invest at least $50 million to support his brands. Indeed, only Heileman, with its predominantly popularly-priced line-up, and Pabst, which has eliminated all marketing spending, fall short of that mark.

**Anheuser-Busch,** the only domestic brewer to show a significant volume gain, boosted its share by 5.5%, to an estimated 34% of the market. Most of the growth came from number-one brand Budweiser, whose market share (24.2%) is more than twice that of runner-up Miller Lite. With such a strong position in the market, it isn't surprising that the king of beers gets a kingsize piece of the budget: About one third of 1984's $220 million budget supported the brand, about 80% of which is in television (see chart, page 127).

Anheuser-Busch's efforts have been increasingly diverse since their bullish push began seven years ago. "Regardless of the outlook for growth in the industry," says Jack McDonough, vice president of brand management, "we have a lot of room for growth." He points out that while A-B currently has a 34% share, computer giant IBM dominates its industry with a 76% share. McDonough laughs off any suggestion that A-B is trying to be the "Big Blue of the beer industry." But the brewer is making greater efforts in every sphere, such as geographic segmentation — right down to a promotion especially for Boston's Irish population on St. Patrick's Day. In an attempt to both diversify and experiment with media alternatives, Anheuser-Busch became a partner in a sports cable venture, *Sports Time*. The experiment proved to be a failure.




At the same time, the company is trying to strengthen its varied entries. Chief among the company's concerns is the super-premium segment, where Michelob and Michelob Light, though dominant, have been flailing among the imports. "An improved economy and an adjustment of the dollar would certainly help," concedes McDonough. But a $56 million budget, with a heavier emphasis on reaching the upscale drinker via print, and a new campaign won't hurt the cause, either.

Meanwhile, Busch, once a regional premium brand, is now fully national as a popularly-priced beer. The move, supported with about $10 million, seems to be working for the brand, which saw a 26% increase in volume last year. Natural Light, with 1.2 million barrels, is getting a lift from a new campaign, "The beer with the taste for food."

But A-B's big success, according to McDonough, is Bud Light (once Budweiser Light), which, he says, "is going like a skyrocket." Hyperbole aside, the brand continues to grow at about 8% a year, reaching 4 million barrels in 1984, and narrowing in on number-ten brand, Coors Light, with 4.5 million barrels.

Anheuser-Busch, already the price leader in the industry, took its leadership position a step further with the introduction of a low-alcohol brand, LA. Though the move attracted much interest, principally because of the brewer's $20 million+ commitment, neither the brand nor the segment has lived up to expectations. LA is languishing with less than a .25% share — and it leads the segment. John Max-

**Coors is already in 44 states, and hopes to be national by the end of this year**

> **It doesn't make sense to jog five miles, come home and get drunk.**
>
> JOHN C. MAXWELL
> Furman Selz Mager Dietz & Birney

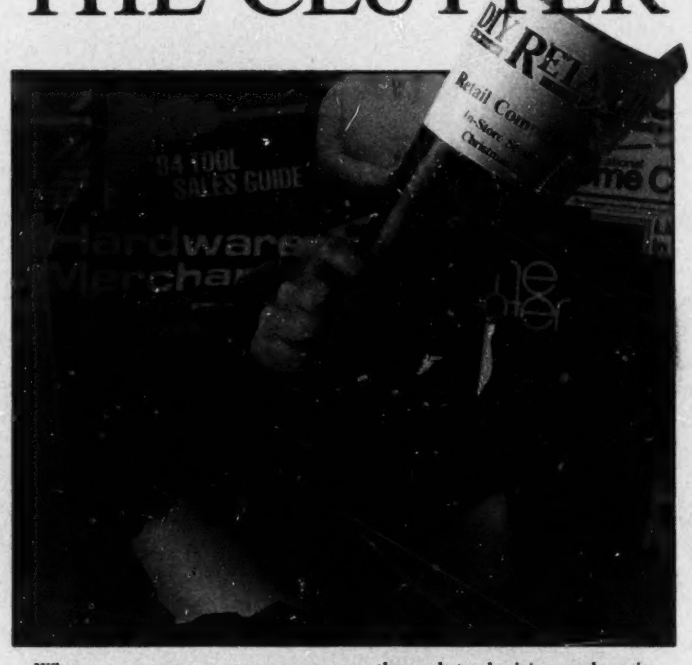
well, an industry analyst with Furman Selz Mager Dietz & Birney, believes that it's still too early to tell whether the segment has done as much as it will. Other observers contend that the disappointing result was unavoidable because the brand targeted a marginal beer drinker. McDonough would only say, "We're patient."

**Miller,** the industry's second-largest brewer with 37.9 million barrels in 1984, is currently the focus of intense speculation. The crucial question is whether the new campaign for Miller High Life, supported with an estimated $80 million, will be enough to plug up the leaks in the brewer's flagship brand. (See cover story, page 60). In four years, its volume has dropped 63% as High Life's predominantly blue-collar following deserted the brand for budget brews or chose more forceful images.

The Philip Morris subsidiary has other problems besides its faltering flagship, now third placed among the top 10 brands. At the end of 1983, the brewer made a heavy commitment to the budget segment of the market. Once, pop-priced brews held a 50% share of the market, but during the 1970's that share fell to about 25%, according to Bob Toledo, vice president of brand management at Miller. When the recession hit, Heileman was the only brewer with a heavy investment in popular beers. Miller saw an opportunity in that price segment and rolled out Meister Brau, at the higher-priced end of the segment, and Milwaukee's Best six months later. Unlike other popular-priced beer marketers, Miller invested heavily behind both brands: $19 million behind Meister Brau, another $5 million behind Milwaukee's Best. Emanuel Goldman, an industry analyst with Montgomery Securities, speculates that if the problem with Miller High Life wasn't so acute, the brewer would not be fielding its two budget brands as aggressively. "We saw the category growing, and decided to jump in with both feet," shrugs Toledo in response. "It will be a meaningful part of the industry, in the area of 40 to 45 million barrels," of which the two brands have about a 10% share.

Miller's skew toward budget — and lower profit-margin — beers is emphasized by continuing problems with super-premium Lowenbrau. "With the exception of Lowenbrau," speculates Weinberg, "all the other brands probably turn a profit." Comments Toledo, "The economy has hurt the super-premium category" as consumers opt for comparably priced imports. Support for the brand was cut last year, from $20 million to about $15 million. Nonetheless, Miller is thrusting another super-premium into test, Special Reserve. Another experiment is Sharp's LA, Miller's entry in the low-alcohol category. Unlike A-B's LA, however, Miller has kept Sharp in test in five markets. "Our field reports," says Toledo, "indicate that there's not a large body of beer drinkers out there who want this product." He adds that the category may take a long


BREAKING THROUGH THE CLUTTER

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time to develop, the way light beers did before Miller Lite made its big push.

Miller Lite is the brightest spot in the brewer's line-up: Volume was up again last year, to 18 million barrels, placing the brand squarely in second place among all beer sales. Last year's $50 million + budget went principally into television for the now-famous campaign pitting celebrities in an argument over the brand's "less filling" versus "more taste" benefits.

Number-three brewer **Stroh** is continuing its aggressive push, strengthening the brand line-up and expanding geographically. Unlike Miller, which gained about 50,000 barrels, and A-B, up a full 3.3 million barrels, Stroh's volume declined 1.6%, to 23.9 million barrels. Part of the reason was a loss of volume for Stroh's biggest brand, Old Milwaukee. The budget brew felt pressure from Miller's heavy support of Meister Brau and Milwaukee's Best, and fell 500,000 barrels to 7.1 million barrels. Until then, Old Milwaukee's

*Van Munching fields its third import.*

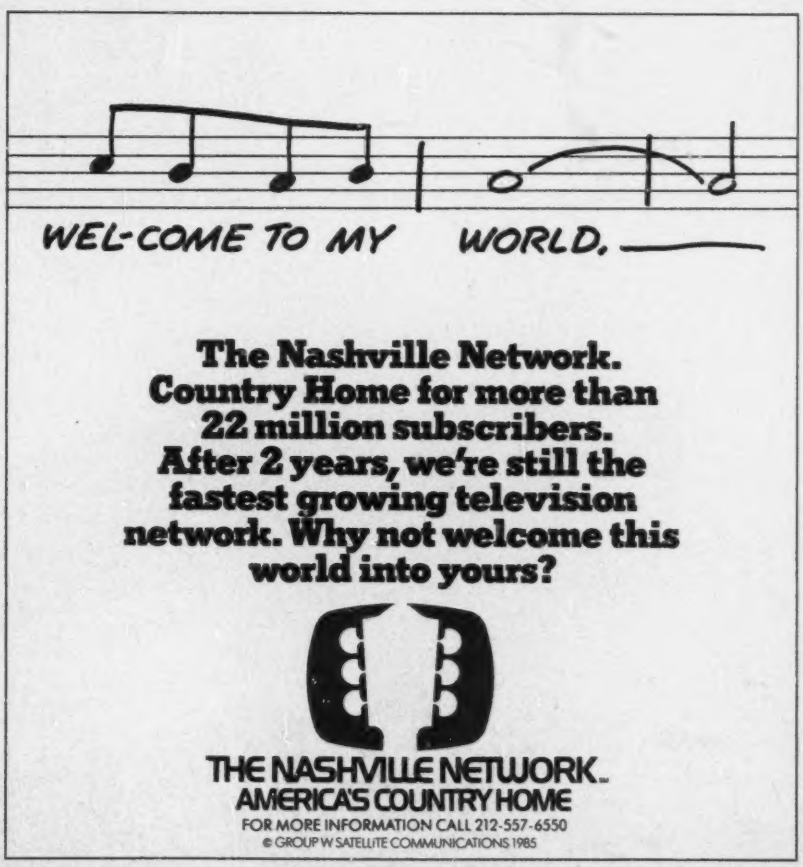
$18 million was the category's biggest budget. Last year, support dropped to about $15 million. "Philip Morris changed the ground rules," explains senior vice president of special products John H. Bissell, "by introducing genuine consumer marketing into a business where there had been none before."

Analysts point out that Stroh, a privately-held company, can afford the time and investment to build its brands. That seems to be the strategy behind Stroh brand, the brewer's second-largest brand. Like Old Milwaukee, the brand is national. Support has been consistently heavy — about half of last year's total $50 million. Bissell explains that Stroh and Stroh Light, with total volume of 6.1 million barrels, "have the greatest potential."

Stroh is also in the midst of fielding its Schaefer brand nationally. The low-end popular-priced entry is taking a high quality approach in its first network advertising. But with its other brands still languishing, most notably Schlitz, the brewer is looking for alternatives. Several months ago, Stroh introduced its first new product out of the special products group which Bissell heads. White Mountain Cooler, a fruit-flavored alcoholic beverage, competes in the growing wine cooler market. The ad budget hasn't been set yet. Also scheduled to get more attention is the super-premium segment, where Stroh's Erlanger and Signature, still in test, compete.

In other arenas, Stroh is earning the reputation of Peck's bad boy of the beer industry. Of the brewer's efforts to break Miller and A-B's lock on sports programing, Bissell says, "We have had a problem in that the most efficient programing has been denied us." Since kicking up a fuss, Stroh has been able to get on "some properties we didn't have before," including baseball playoffs. But, says Bissell, "We're still blocked from *Monday Night Football* and the USFL." As a result, the brewer is turning to alternatives, such as cable and syndicated programing. "We're in the process of working with an outside agency to syndicate our own magazine-format programing," says Bissell of the proposed series, *Stroh's Circle of Sports*.

More recently, Stroh strenuously objected to the proposed sale of Pabst to Heileman, saying the combination of the two brewers would be anti-com-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petitive in the bustling Midwest, Stroh's strongest region and the site of Miller's biggest gains with popularly-priced brands. "It would be anti-competitive," says Bissell firmly. So far, the courts have agreed with him.

The court's objection to the Pabst acquisition has been a heavy blow to **Heileman,** which saw share on its predominantly budget brands slip 2.9% last year, to 17 million barrels. The brewer has been facing more aggressive competition in the popularly-priced segment it once dominated. "For the first time last year," comments consultant Weinberg, "Heileman suffered a significant setback, because for the first time they are facing real competition." The brewer is putting its biggest push behind Old Style, its dominant brand, which has a strong following in the Upper Midwest. Last year, that brand got about one-third of the total $20 million budget.

Meanwhile, Heileman has been trying to shed its regional image by expanding into the Southeast and Southwest. Pabst, a strong presence in those areas, could have helped make Heileman a stronger national force. Now that Miller is taking share in the Midwest, and A-B in the North Central, the analysts say, Heileman will be under even greater pressure.

Undeterred, Heileman continues to press to expand distribution on such brands as Carling Black Label, Colt 45, and smaller brands such as Blatz. "It will be costly," concedes a spokesman for the brewer, "but it's possible." Heileman faces two hurdles. The company has only one plant, in Colorado, making increased distribution difficult. And the brewer, still a heavy spot television user, can't yet take advantage of national media efficiencies. Nonetheless, the planned budget for 1985 is "in the $50 million range," according to the spokesman.

**Coors** is also in an aggressive mode, trying to expand Coors and Coors Light, the two brands that represent 98% of the company's 13.4 million barrels. "We are committed to going national," states Robert Rechholtz, senior vice president of marketing and sales. He claims that the expansion, from a base of 20 states to a current total of 44, is "far and away the most successful of any in the industry." Observers aren't quite as optimistic. As Coors moves into new areas, it is losing share in its core markets. Comments Weinberg, "Coors is caught between a rock and a hard place. It's very difficult to be a regional brewer today, but can they be a national brewer? The marketing strategy should focus on holding on to the expansion and stopping the decay in traditional markets." Some analysts point out that Coors is nearing the end of new markets to expand into, and wonder what will happen then.

**Top 10 Brands, 1984**

| Rank | Brand | Market Share | Production (mil. bbls.) |
|---|---|---|---|
| 1 | Budweiser | 24.2% | 44.3 |
| 2 | Miller Lite | 9.9% | 18.0 |
| 3 | Miller High Life | 7.9% | 14.5 |
| 4 | Coors | 4.8% | 8.7 |
| 5 | Old Milwaukee | 3.9% | 7.1 |
| 6 | Michelob | 3.7% | 6.7 |
| 7 | Pabst | 3.6% | 6.5 |
| 8 | Stroh | 2.9% | 5.3 |
| 9 | Old Style | 2.8% | 5.1 |
| 10 | Coors Light | 2.5% | 4.5 |

Source: Beverage Industry, 1985

> **"Philip Morris changed the ground rules by introducing consumer marketing to the popular price segment."**
>
> JOHN H. BISSELL
> Senior vice president of special products, Stroh.

Rechholtz insists Coors can expand nationally *and* grow in existing markets. To help their cause, Coors has a new campaign, "Coors is the one," and some $200 million slotted for advertising and promotion — about three times last year's combined budget. They're also dabbling in network tv from spot, even though "we're only in 75% of the country," notes Rechholtz.

One problem on the horizon is Miller's Plank Road, a non-pasteurized beer like Coors. "It's the first action that emulates the Coors story," says Rechholtz, who believes the entry, still in test markets, doesn't present a serious challenge. He insists, instead, that the vulnerability of the High Life brand is an opportunity to forge ahead.

What will happen to **Pabst**, which last year produced 11.8 million barrels, half of that in the Pabst Light and Hamm's brands? This year, the company was sold to investor Paul Kalmanovitz's S&P Company. Kalmanovitz's first move: firing 200 people, including the marketing staff, and cutting the marketing budget. Weinberg points out that the Pabst brand's share has been declining since 1975, because management couldn't decide whether the beer should be a premium or popularly-priced brand. "The identity of the brand was destroyed," he says. Of recent changes, he adds, "It won't accelerate the decline of the brand to have the marketing support pulled."

### Import beer

Import beer consumption runs counter to just about every trend in the industry. Last year, the segment grew 13% to about 7.1 million barrels, and it is expected to move up at least that much this year. Little wonder that Stroh and Anheuser-Busch are eyeing the segment for opportunities. At the same time, import beers are feeling the

Continued on page 138

heat of competition from more aggressive marketing plans, pricing battles and new entrants. In 1984, 100 new import brands made their debut, bringing the total to more than 300. Still, the top five brands hold over 70% of the segment, which itself accounts for about 4% of total industry volume.

**The market leader among imports, Heineken controls over one-third of that market.**

While the future of these brands seems secure, observers wonder whether the plethora of smaller brands signals the nearing end of imports' rapid growth.

The typical import drinker is slightly different from his domestic drinking counterpart. The biggest difference is one of lifestyles: The import drinker tends to see himself more acutely as an individual. Beer importers appeal to this trait with product from diverse countries — Canada, Germany, Holland, Mexico, Japan, and others. Men between legal age and 35 drink 75% of imports. They also tend to live in top metropolitan areas, a small base the major imports are trying to expand.

The most aggressive efforts come from Van Munching & Co., importer of number-one **Heineken** (34.1% share of imports). This year, the company will spend about $22 million on "Come to think of it, I'll have a Heineken." The money goes into network and spot television, radio, and some print. The goal this year: to boost Heineken's off-premise business, currently 35%. Heineken's dominance makes it easier to expand VM's **Amstel Light** markets and introduce **Grizzly,** both scheduled to get another $8 million in combined support.

Number-two **Molson** fell back slightly last year, a reflection of the waning popularity of Canadian beers. But Gerald Regan, president of Martlet Importing, is undaunted. He hopes to boost the brand's share from 13.4% with a heavier budget than last year's $10 million. The company invests most of the budget in radio, to reach the 43 states in which Molson is distributed, and in television for introductory markets.

**Beck's** has been steadily increasing share, to last year's 11.1%, and moving out of the East Coast, Florida and California markets, where it is strongest. Tom Schwalm, executive vice president of marketing for Dribeck Importers, says he plans to continue the 10-second ID spots on television, touting the brand as the "number-one German beer," in such cities as Miami and San Francisco. The budget is up to $9 million, partly because the importer is trying to build off-premise business. "Most of the business, 70%, is on-premise now," says Schwalm. Beck's success so far has prompted Dribeck to start importing a low-calorie beer, **Roland Light.**

All Brand Importers is putting about $7 million behind its leading brand, **Moosehead,** with the tag line, "Canada's premium beer." Leo Begleiter, senior vice president of marketing for the importer, says he is switching funds from magazines, which received most of last year's $6 million budget, to spot television, in addition to radio. **Foster's Lager,** from Australia, has doubled its volume in four years, though market share has steadied at about 1.4%. The brand, says Begleiter, does well in New York, Chicago, Denver and the West Coast, where it is advertised as "the big beer from Down Under" because of the 25 oz. cans.

**Labatt's,** fifth with a 4.6% share of the market, is boosting spending slightly to $4.5 million this year. The Canadian beer has been steadily increasing volume, from 226,000 barrels in 1980 to about 327,900 barrels last year. But the beer hasn't quite achieved the same status as other strong imports: Labatt's strongest cities are Buffalo, Denver, Detroit and Boston, compared with other brands which have established themselves in Southern and

**Van Munching pushes its light import in metropolitan markets across the country.**

West Coast cities as well.

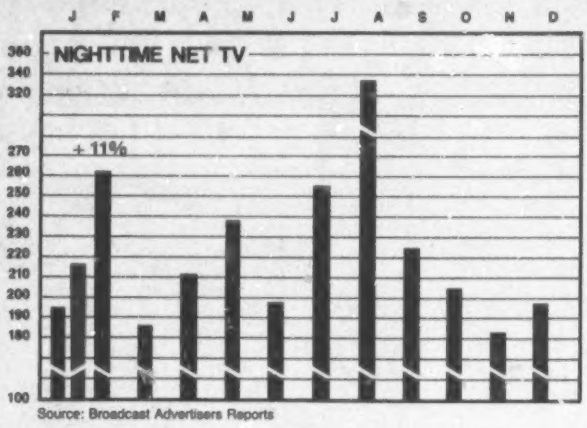
Up-and-coming brands such as **St. Pauli Girl** and **Dos Equis** are narrowing the gap between their volume and the top five. The volume increases are coming to smaller brands for two reasons: The import beer drinker likes to sample different tastes, and the strength of the dollar makes these super-premium priced beers more competitive with premium and super-premium domestics.

Despite the progress made by these smaller brands, some analysts wonder whether the imported beer segment, already becoming crowded, won't look like the rest of the industry in a few years. Since the top 15 brands command an impressive 95% share, and those importers are boosting their budgets to near-domestic levels, these doomsayers believe the bigger imports could crush the segment's lively growth.

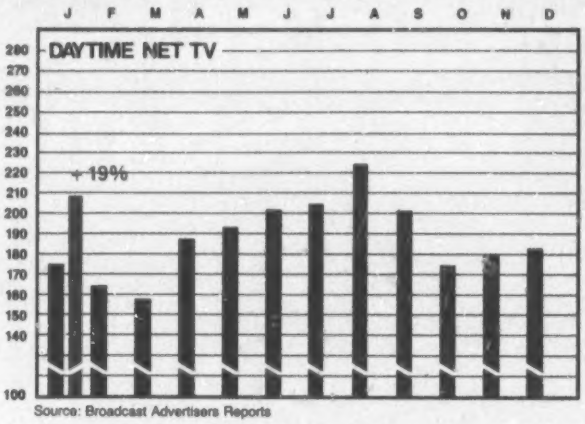
*Laura Konrad Jereski*

# MEDIA COST INDEX

Black bars index for 1984; color bars 1985; base year 1977




Source: Broadcast Advertisers Reports

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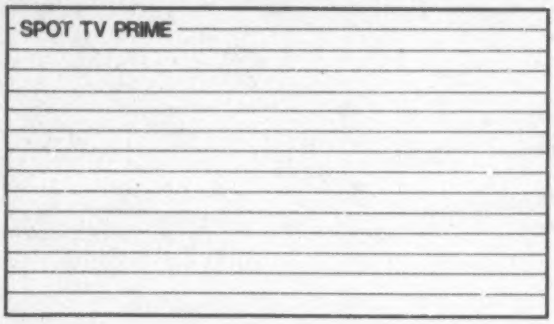
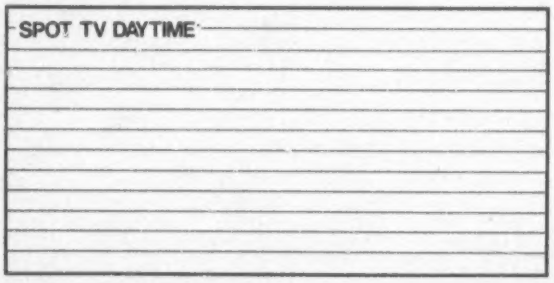
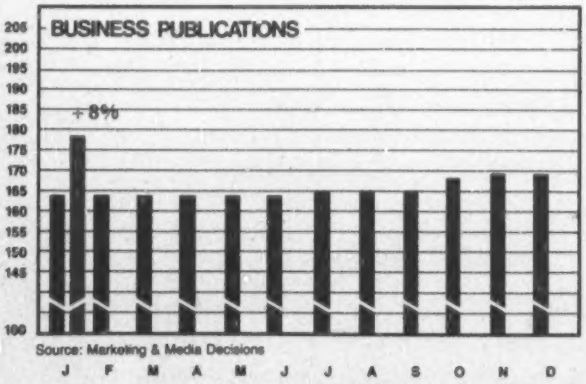



Source: Marketing & Media Decisions

**Decision's cost index** for the first month of 1985 shows no dramatic changes over the trends evidenced in the latter months of 1984.

Pointwise **network tv** (in both categories) is up three percentage points over the December reports. **Daytime network tv** is up 19% over the year-ago month; **nighttime network tv** is up 11%.

The **national supplements**, with a gain of 10% in the January-over-January readings, are holding close to the numbers shown towards the end of last year.

**Newspapers,** at +7%, held at the December mark which was down about two points from the other fourth-quarter months.

**Consumer magazines** show a 9% increase for January over a year ago. Outdoor at +7% over January 1984 is up one point over the December report but this is a function of rounding rather than actuality.

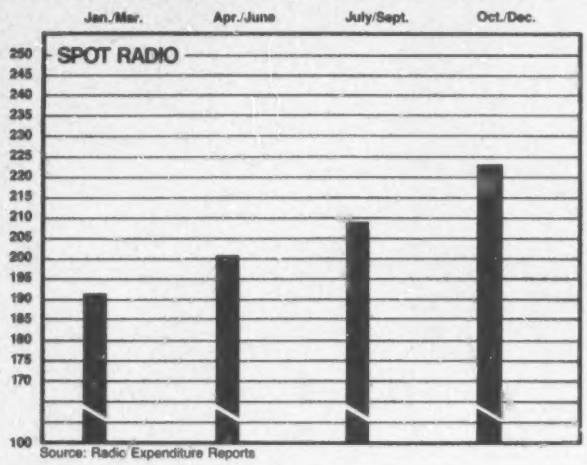
January is the month when most of the rate changes in Decision's sample of **business publications** take effect. The outcome: An 8% increase over January 1984 rates. This is no marked change from the trend in evidence in 1984.

After a long hiatus, it appears that this monthly cost index will soon again be reporting rate changes for both segments of **spot tv**. The data, however, will not relate to the base year 1977. Additional stations were added to BAR'S (Broadcast Advertisers Reports) Spot TV Service in 1984 for which comparable data for earlier years are not available. The new service better reflects the smaller stations in the universe.

For much the same reason, the monthly report on **network radio** will drop from the charts. Here again more networks have been added by BAR to the original three which have been the base for many years. Until comparable period-over-period data are available, this media segment will go unreported.

# MEDIA COST INDEX (continued)

Black bars index for 1984; color bars 1985; base year 1977



Source: Radio Expenditure Reports

**The Media Cost Index** reflects trends extracted from available sources. This analysis uses standard competitive report sources to develop comparable costs that reflect monthly cost trends by medium. Where industry competitive sources are unavailable, selected cost data from SRDS are sampled.

Sources:

**Nighttime Network TV**—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

**Daytime Network TV**—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

**Network Radio**—Cost per average 30-second radio announcement from BAR's Network Radio Service.

**Spot TV—prime and daytime**—Cost per 30-second spot, Monday-Sunday from BAR's Spot TV Service.

**Consumer Magazine** estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

**National supplements** estimate based on published (rate cards) costs of a page, four-color in 40 national supplements.

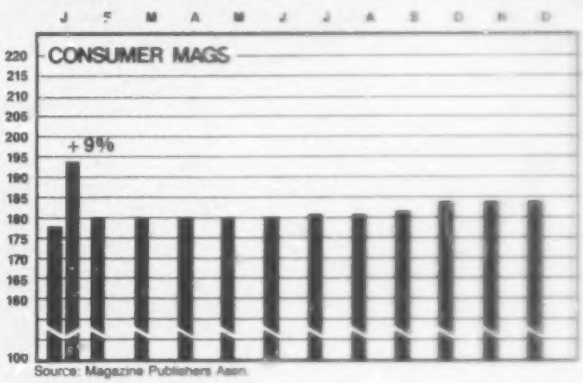
**Daily Newspapers** estimate based on Newspaper Advertising Bureau report of SRDS costs per agate line of a sample of 788 newspapers weighted to represent the universe.

**Business Publications** estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.

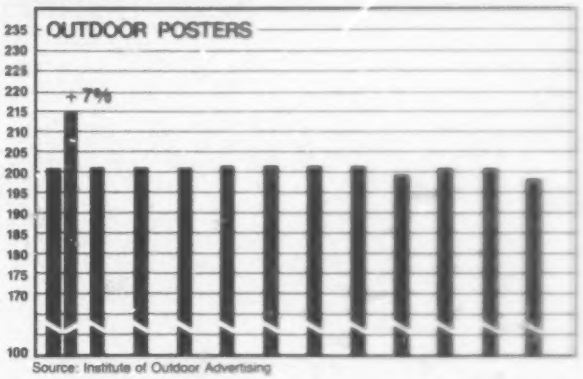
**Outdoor Posters** based on estimate prepared by Institute of Outdoor Advertising.

**Spot radio** index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

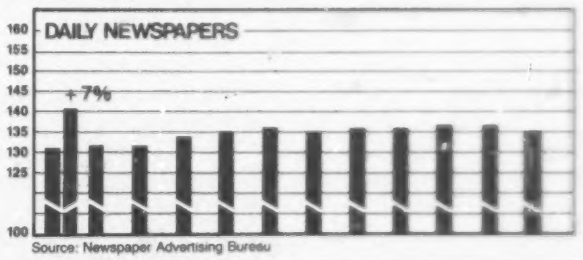
**How to read: Media Cost Index** reflects latest available costs compared with base year 1977. Percent change shows rate of change from the same month in previous year.



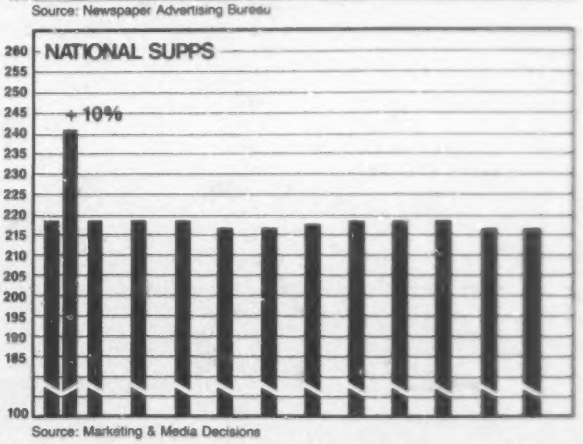
Source: Magazine Publishers Assn.



Source: Institute of Outdoor Advertising



Source: Newspaper Advertising Bureau



Source: Marketing & Media Decisions

## MARKETING CHICKEN: *Continued from page 84.*

cases of oversupply, for example, brought on when the prospect of high profits induces a producer to bring more birds than usual to market, the retailer will make a deal to take them off the supplier's hands . . . at a loss. Chicken is also a favored loss-leader — better than steak. Once a producer supplies a chain, he has to hold it. If a competitor offers to undercut him, the supermarket buyer may consider switching brands.

To make matters worse, not all regions have the same buying patterns. Sure, just about everyone eats chicken, and more of it than ever before. But not everyone buys the product in the same form, from the same types of outlets. Certain areas, such as the Northeast, favor the higher-priced branded products, and even have an affinity for premium-priced chicken, the market Perdue caters to. But other areas stubbornly resist brands. The supermarket chains want to react to these tastes on a market-by-market basis.

But the emergence of branded chicken, and the marketing opportunities it affords, may be setting a precedent for the beleaguered beef industry.

"I don't really understand why the beef packers haven't tried to create brands," muses Kroger's Parker. "After all, they said it couldn't be done with chicken." He adds that, within the year, he expects to see "some packer" try, possibly Iowa Beef Packers, the nation's largest beef packer. Not everyone is as convinced as Kroger's that this is the way to go, including the Beef Industry Council. Jim Olson, the Council's director of promotion, points to the generic campaign that has been running for the past eighteen months. "We're trying to solidify our number-one position," he says, though acknowledging that the margin has slipped, to little more than 78 pounds per capita this year.

**The Northeast is definitely breast territory; the Southeast likes dark meat.**

Hand in hand with a trade effort directed to dieticians and "health care professionals," the Council is also targeting upscale adults between 25 and 54, with incomes over $30,000, who have children in the home. They are light users. The heaviest consumption of beef remains in the Midwest and South, among blue-collar workers. "The Northeast," sighs Olson, "has been a problem for us." Olson believes that advertising beef itself as a brand has more merit than marketing higher-margin, more easily branded products such as processed beef. Instead, he points to such beef-dependent institutions as McDonald's which, aware of health concerns, has been testing a "light" Mac. Nonetheless, he adds sadly, "I don't think we'll ever get back to raw consumption figures like in 1976," when beef consumption peaked at 94.4 pounds per capita.

*Laura Konrad Jereski*

## May 1985 Index to Advertisers


| | | | | | |
|---|---|---|---|---|---|
| Ad Council — American Cancer Soc. | 120 | Harvard Business Review | 96, 98, 100 | Orlando Sentinal Star | 158 |
| Ad Council — Child Abuse | 154 | Health | 67 | Parade | 15 |
| Architectural Digest | 74-75 | Hearst Corp. | 32A-F | Parents | 31 |
| American Photographer | 83 | Hearst Gold | 87 | People | 4-5 |
| BPA | 169 | Home & Away | 111 | Popular Mechanics | 137 |
| Booth | 79 | House & Garden | 97 | Psychology Today | Cov. 3 |
| Boston Globe | 49 | House Beautiful | 85 | RAB | 92-93 |
| Business Week | 110 | Investors Daily | 16 | Reader's Digest | 121 |
| Columbia Pictures | 43 | LA Daily News | 90 | T. Ryder (House Ad) | 165 |
| Columbus Dispatch | 32 | LA Times Magazine | 116-117 | San Diego Union | 126 |
| The Dial | 147 | LBS | 9 | Scripps-Howard Corp. | 55 |
| Disney | 141 | LNA | 153 | Seattle Times | 104 |
| D.I.Y. Retailing | 131 | Ladies Home Journal | 108-109 | Self | 99 |
| Dun's Business Month | 27 | Life | 156-157 | Smithsonian | 139 |
| Family Handyman | 107 | Lotus | 59 | Spectrum | 149 |
| Family Weekly | 10-11 | Madamoiselle | 3 | Souther Living Classics | 13 |
| Field & Stream | 68-69 | Marketing & Media Education | 171-175 | Sports Afield | 25 |
| Food & Wine | 72A-B | Media General | 161 | Sports Illustrated | 118 |
| Forbes | 135 | Metro Magazines | 119 | SRDS | 163 |
| Fortune | 95 | Money | 7, 88-89 | St. Louis Post Dispatch | 122 |
| Ft. Lauderdale | 71 | Mutual Broadcasting | 28-29 | The Star | 19-22 |
| Ft. Worth Star | 114 | NAB | 145 | Time | 115 |
| Georgia Trend | 129 | National Geographic | 124-125 | Travel & Leisure | Cov. 4 |
| Glamour | 150-151 | Nation's Business | 12 | Tribune Broadcasting | 132-133 |
| Good Housekeeping | Cover | NBC-TV | 63-65 | T.V. Guide | 35, 37, 39 |
| Gentlemen's Quarterly | 51 | New Woman | 113 | USA Today | 102-103 |
| Grit/Cappers | 112 | New Yorker | 40A-B | Wall Street Journal | 56-57 |
| Group W — Nashville Network | 134 | NYPSA | 142-143 | Yankee | 105 |
| | | Orange County Register | 77 | YS&W | 106 |

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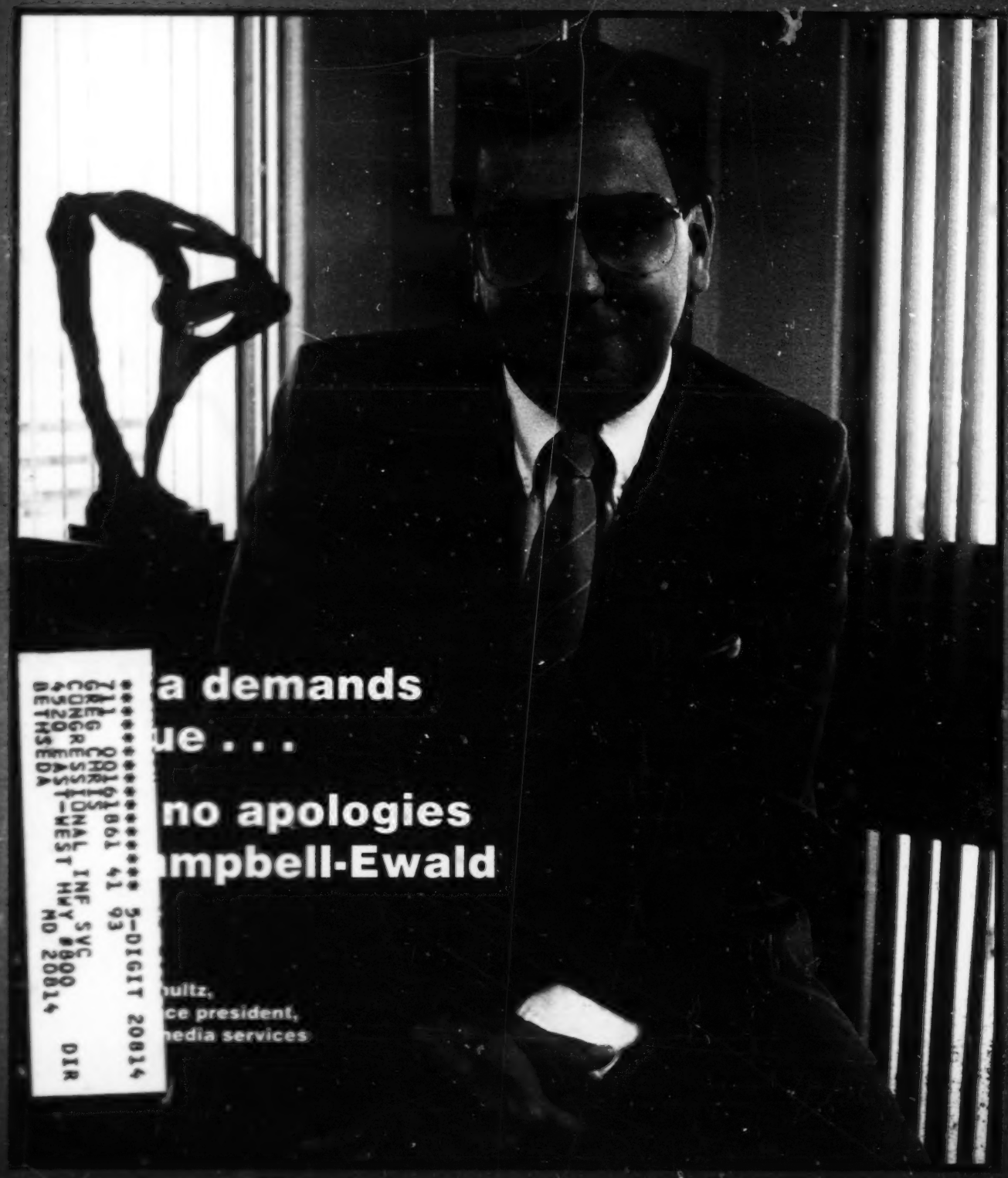

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# CONTENTS

JUNE 1985, VOL. 20, NO. 8

Louis M. Schultz,
executive vice president and director
of media services, Campbell-Ewald

## Features


**52 Campbell-Ewald weds marketing to media**
Growth in clients who target regionally has caused this Detroit agency to rewrite the media department organizational chart. Buyers are now local market specialists.

**60 Others try to strengthen the bond too**
Decline in mass marketing industrywide has agencies pondering how to train media specialists to be marketing generalists as well.

**66 Ripples shake computer magazines**
Poor marketing judgment by computer manufacturers has rolled into one huge wave that has wiped out 59 computer books in just two years.

**75 Waxing Jaguar to a shine**
It took more than a fresh coat of polish of make the luxury automobile glisten again.

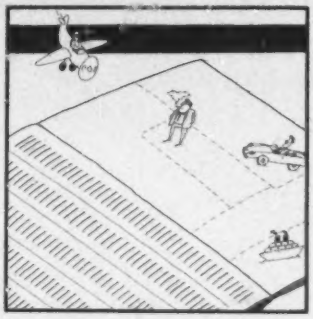
**80 Cool summer to tv?**
Since CBS alone is out to bask with special programing, the forecast for the traditionally slow season could very well be bleak.

**88 How Wilson lost its grip**
The sporting goods manufacturer with the winning name stepped outside the line of skillful marketing too many times.

**98 Bottlers have a taste for new Coke**
Bottlers applaud the increased promotional and advertising support the risky launch has spurred.

**101 1984 Brand Leaders in Newspapers**
National newspaper space got the green light from auto, airlines and computer makers and the red from cigarettes.


## Focus on . . .




**Newspaper Brand Leaders**
(page 101)

**Wilson**
(page 88)

**Jaguar**
(page 75)

**157 Brand Report 111: Travel and tours**
It's becoming easier to spot that typically spoiled American tourist around the globe.


## Departments


**6** Focus on Marketing
**15** Letters
**17** Print Beat
**20** D.C.
**22** Campaigns
**24** Update
**30** Homework
**32** New in Media
**34** Newsmakers
**42** New Electronic Media
**44** Futures
**46** Direct Marketing
**175** Broadcast Beat
**182** Cost Trends


## As They See It


**140** Mediology
Ed Papazian

**142** Magazines
Steve Kurtzer

**144** Research
John McSherry

**146** Newspapers
Frank Hajek

**149** Marketing
Dawn Sibley

**153** Radio
Sam Michaelson


Cover photograph by
Peter Yates

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# UPDATE

**1 – RAB's "Top 10" Radio Agencies for 1984**
**(Based on % of billings spent on radio)**

| 1984 Rank | Agency | Radio Billings (Millions) | Radio Percent | 1983 Rank |
|---|---|---|---|---|
| 1. | Tracy-Locke | $48.0 | 20.0 | 5 |
| 2. | Evans Communications | 20.0 | 19.2 | — |
| 3. | W. B. Doner | 30.4 | 17.0 | 3 |
| 4. | Rumrill-Hoyt | 20.7 | 17.0 | — |
| 5. | Ross Roy | 40.3 | 16.0 | 2 |
| 6. | Bozell & Jacobs | 92.4 | 14.0 | 4 |
| 7. | Jordan, Case, McGrath | 19.8 | 12.0 | 10 |
| 8. | Ketchum Communications | 41.8 | 11.0 | — |
| 9. | D'Arcy MacManus Masius | 78.4 | 11.0 | 6 |
| 10. | Leber Katz | 30.7 | 11.0 | 9 |

**2 – 1984 Radio Billings by Dollar Volume**

| | Agency | Radio Billings (Millions) | Radio Percent |
|---|---|---|---|
| 1. | BBDO | $142.3 | 9.0% |
| 2. | Foote, Cone & Belding | 112.6 | 8.5 |
| 3. | Young & Rubicam | 99.1 | 4.6 |
| 4. | Bozell & Jacobs | 92.4 | 14.0 |
| 5. | Ted Bates | 80.7 | 4.6 |
| 6. | D'Arcy MacManus Masius | 78.4 | 11.0 |
| 7. | J. Walter Thompson | 62.6 | 4.3 |
| 8. | Ogilvy & Mather | 54.1 | 3.0 |
| 9. | NW Ayer | 52.9 | 8.1 |
| 10. | Tracy-Locke | 48.0 | 20.0 |

## Radio's Top 10

The Radio Advertising Bureau has identified the Top 10 radio ad agencies, based on those agencies posting the highest percentage of media dispersements to radio. (See *Radio: Special Report*, April, 1985, page 83.)

Tracy-Locke led the pack, allocating $48 million or 20% of its clients' dollars to radio. The agency increased its percentage of radio billings 5.2% from 14.8% in 1983, moving from fifth to first place among U.S. agencies with billings of $100 million or more.

Altogether, the top 10 ad agencies billed $823.1 million and accounted for 55.9% of radio's national revenues. Appearing for the second consecutive year on RAB's Top 10 list are W.B. Doner; Ross Roy; Bozell & Jacobs; Jordan, Case, McGrath; D'Arcy MacManus Masius; and Leber Katz.

## Combined network share drops 4%

According to the just-released 1985 Nielsen Report on tv, 64% of U.S. households can now choose from nine or more channels, up from 8% in 1964. And because of that, it's not surprising that in 1984 the networks' share of audience slipped further.

In non-cable homes, Nielsen reports that the combined network share of the primetime audience dropped to 85%, down from 89% of the previous year. In pay cable households, the network share dropped to 64% from 67% and in basic cable homes network share dropped to 74% from 76%.

On the up side, Nielsen reports that tv households viewed an average of seven hours and eight minutes a day during the 1983-84 tv season, a 13-minute increase over the 1982-83 season.

In July, Nielsen's arch-rival Arbitron will unveil its analysis of the past tv season, promising to provide audience summaries of the 46 specials and miniseries that aired last year. In the meantime, Arbitron has provided its list of the top 10 specials for the year, according to the February, May, July, and November 1984 sweeps.

Continued on page 28

| Rank | Program | Network | Household Rating** | Survey |
|---|---|---|---|---|
| 1. | Grammy Awards 26th Annual Show | CBS | 32 (21) | February |
| 2. | Master of the Game* | CBS | 27 | February |
| 3. | Ellis Island* | CBS | 21 | November |
| | Miss USA Pageant | CBS | 21 (24) | May |
| 5. | Country Music Awards | NBC | 18 (19) | May |
| 6. | Last Days of Pompeii* | ABC | 17 | May |
| | Life's Most Embarrassing Moments | ABC | 17 (24) | May |
| | Tonight Show Comedians | NBC | 17 | November |
| 9. | Country Comes Home | CBS | 16 | February |
| | Macy's Thanksgiving Day Parade | NBC | 16 (16) | November |
| | Bob Hope from Hawaii | NBC | 16 (16) | February |
| | Bob Hope Birthday Bash | NBC | 16 (25) | May |

* This is the average rating for all episodes of the miniseries.

** The Household Rating is the percent of all US TV households (85,061,100) that viewed the program. 1983 ratings for the same program are given in parenthesis.

## ABC's Newspaper Fas-Fax

Newspaper circulations over the six months ending March 31 make good reading in the major markets, but with regional variations.

The center city papers in the top ten metro areas show 14 daily gains, three losses, one unchanged and one unreported. Sundays show 13 gains and three losses.

Plusses were rampant in the Sun Belt — Fort Lauderdale, Orlando, St. Petersburg, Tampa, Phoenix. On the other hand, downstate Illinois and Indiana showed smokestack losses, as did the farm states of Iowa and Kansas.

On the national front, *Wall Street Journal* dipped below the two million mark as its subscription rate pierced the $100 level. *USA Today*'s 1,162,606 average is a gain from ABC's initial 13-week audit of 1,138,030 but a loss from last March's three-month audit of 1,284,613. *New York Times*, counting its national circulation averaged over one million for the very first time. *Christian Science Monitor* rose from 148,683 to 151,122.

Some key market figures follow:

**New York** *Daily News* turned its long losses into a 16,097 gain, but still lost another 40,000 Sunday. The *Post* which missed a million by just 37,000 last March, is down to 900,000 level. The *Times*, besides its 43,160 daily gain, had a 30,455 Sunday gain, much of it national, not New York market coverage.

**Los Angeles-Long Beach** *L.A. Times* adds 12,000 daily, 11,000 Sunday to its overwhelming lead. Tribune Corporation's *Daily News* (now all paid) continues small but steady gains. *Herald Examiner* gains 764 daily but loses 6,000 Sunday. Long Beach's ABC figures not applicable, since paper has since gone all-day. Suburban papers, notably Orange County *Register* beefed up editorial to show impressive gains.

**Chicago** *Tribune* and *Sun Times* both had gains, but *Tribune* expanded its daily lead by 2,000; its Sunday lead by 16,500.

**Philadelphia** Knight-Ridder's gain from *Bulletin*'s folding is still being chipped away. *Daily Inquirer* is down from 535,621 to 519,621. *Evening News*, which filled the evening gap, is down from 293,031 to 284,253. But Sunday shows a 3,000 gain.

**Detroit** In the battleground of the medium, *Free Press* cut down *News*' daily leadership from 25,843 to 20,473. But *News*' Sunday gain to *Free Press*' loss widened its lead to over 100,000.

**Boston** Rupert Murdoch's big *Herald* gains continue; up 43,000 daily, 33,000 Sunday. But the *Globe* keeps its daily readers; adds 10,000 more on Sunday. Result: better newspaper coverage for Boston.

**Washington** *Post* up 1,269 daily, but 22,961 Sunday. Reverend Moon's challenger, *Times*, gets a first ABC audit of 83,962.

**Houston** All-day *Chronicle* adds some 6,000 to daily and Sunday. *Post* statement not yet filed.

**Denver** *Rocky Mountain News* continues to lead *Post* which hasn't yet filed.

**St. Louis** *Post Dispatch* continues gains at expense of *Globe Democrat*. Adds another 20,000 daily; scrapes 500,000 mark Sunday. *Globe* has no figures yet; starts a Sunday edition.

**Dallas** *News* adds 34,000 daily, 45,000 Sunday, in contrast to *Times Herald*'s minuses (16,000 daily, 4,000 Sunday).

### Cutting ABC's Newspaper Fas-Fax down to size

**How newspaper circulations varied by size in the six months ending March 31, 1985**

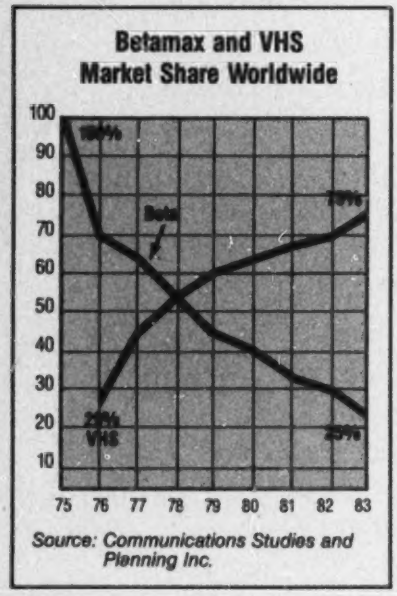
| | 216 papers of 100,000 circulation and over | 271 papers of 50,000 to 99,999 circulation | 932 papers of under 50,000 circulation |
|---|---|---|---|
| Morning Papers | 61 papers — 73.77% gained<br>21.30% lost | 81 papers — 68.3% gained<br>8.20% unchanged<br>25.8% lost | 128 papers — 45.3% gained<br>18.0% unchanged<br>36.7% lost |
| All-day Papers | 15 papers — 66.7% gained<br>13.3% unchanged<br>20.5% lost | 2 papers — 50% gained<br>50% lost | 6 papers — 16.7% gained<br>50.0% unchanged<br>33.3% lost |
| Evening Papers | 31 papers — 32.3% gained<br>6.5% unchanged<br>61.3% lost | 73 papers — 24.7% gained<br>13.7% unchanged<br>63.4% lost | 471 papers — 45.4% gained<br>15.3% unchanged<br>39.3% lost |
| Sunday Papers | 109 papers — 83.5% gained<br>2.8% unchanged<br>13.8% lost | 115 papers — 69.6% gained<br>5.20% unchanged<br>25.2% lost | 297* papers — 54.7% gained<br>12.9% unchanged<br>32.4% lost |

Seven out of ten big metropolitan dailies are now either morning or all-day.
Of the smaller town dailies, 78% are evening papers, home-delivered after school.
Morning papers are doing best in the big cities; evening papers are doing just as well as morning in the smaller markets.
On Sundays when the metros reach far out into smaller markets, gains are biggest in big markets; losses biggest in small markets.

# NEW ELECTRONIC MEDIA

## Sniff this VCR

How does an unknown consumer electronics manufacturer introduce a full-function VHS video cassette recorder within the quagmire of all the other American, Japanese, Korean and Taiwanese manufacturers — and get product recognition? Well, through the most unlikely of the senses — smell.




Symphonic Corporation, the U.S. distribution arm for the Japanese Funai Electronic Corporation, has flipped over its business from audio into video with its new VCR 4007 VHS video cassette recorder. It is being introduced by public relations firm Stephen R. Brown through a two page, 4/C, scratch n' sniff, rose-scented insert. This approach is a first for the consumer electronics industry, which is now an open market for VHS manufacturers with the lifting in March of the JVC license "lock in." JVC owned the license and patent on the VHS format when it marketed in the 1970's its VidStar VHS recorder. As the main manufacturer of VCR's with the VHS format, JVC gradually offered it to other manufacturers through a licensing agreement. While BETA predominated in the 1970's, currently 75%-80% of the software is VHS applicable.

The cost of the Symbolic unit, under $300, points to what analysts anticipate as a trend toward declining price structures this year, when Taiwanese and Korean recorders are expected to hit the market. Prices for strictly play-back units could potentially hover at $99. List prices on VCR's have already been slashed 23% since 1982, to the current $490-$400 estimate (see *M&MD*, September 1984). Sales of VCR's are expected to increase at a rate of between 50%-60% in the next two years, with penetration expected to hit over 50% by 1988. Currently, penetration is about 25%.

## Cable subs, audience databases up

Mediamark Research Inc.'s spring "Cable Table" notes a 5.6% increase in cable subscribers over the previous six-month tally, bringing that sub figure to 71 million, or 42.1% of the total above-18 population. MRI, which measures viewership of cable networks via a personal interview recall method and gathers average week cume data reported for the major basic and pay tv services, cites several other trends. For instance, cable subs are approaching the national norm in age, just one year younger (39.5) than the national norm of 40.5; cable subscribers tend to be wealthier — the median household income among adult cable viewers is about $30,000, vs. $27,000 for the adult population as a whole. Pay cable increased 4%, from 41,639,000 subs to 43,301,000, translating into 25.6% of the over-18 adult population. STV continues to decline, tallying up only 4.2% of the population, down from 4.6% in MRI's fall survey; in 1983, STV penetration was 4.9%.

As for audience measurement databases like MRI, their outlook is rosy. Those measurement services which provide details on viewership or readership for magazines, radio, tv and cable, are currently estimated to be worth $24.2 million and are expected to grow to $50 million by 1989. This would make for a compound annual growth rate of 16%, say Link Resource analysts.

The 11%-a-year growth in users is attributed to clients who supplement their printed reports with on-line subscriptions. Link anticipates a 5% annual price increase overall, with competition for audience measurement narrowed down to Simmons Market Research Bureau, Mediamark Research, Arbitron, and the A.C. Nielsen Co. Major distributors include Interactive Market Systems (IMS) and the Telmar Group. Smaller players in the delivery of commercial databases include Donovan Data Systems, which acquired McMillan's ill-fated start-up MPMS, and Windsor Systems Development Corporation.

## As 'pay' flattens

The lack of substantial new-build growth and a flatness in multipay may result in a drop in addressable units shipments, projects analysts Paul Kagan Associates. Last year was a banner year for those units, when cable tv converter manufacturers shipped an estimated 4.3 million addressable boxes. This year that figure could drop 11%, to 3.9 million units. This is a function, say Kagan, of the slower than anticipated cabling of major cities like New York and Chicago, and fewer pay subscribers than forecast signing up for multipay services.

# Computer magazines: a perspective

**The computer industry is in trouble, and so are the magazines that cover it. A major blow to the specialty books has been computer advertisers' plunge into mass-circulation magazines and television.**

In 1983, five million computers were sold to American households, and 1.5 million to businesses. The number of computer magazines quickly swelled to 127 — their publishers prepared to laugh all the way to the bank. The combined circulation of these magazines exceeded 12 million. *PC* magazine's November 1983 issue weighed in at close to four pounds featuring a whopping 774 pages, breaking *Vogue*'s one issue record.

But in the past two years, 59 computer magazines have gone out of business. *Vogue* has regained its record. And among those high-flying computer brands of 1983, Atari fights for survival, Commodore is in a slump, and TI has left the home computer business. The woes of the industry have reached such epidemic proportions that even such industry bulwarks as Apple and IBM have been rocked. The withdrawal of PCjr this March was a tacit acknowledgement that the pull-through advertising necessary to spawn sufficient consumer sales was even beyond giant IBM's means. Apple was forced to shutter its factories for a week — a practice usually reserved for such mature industries as automobiles and steel.

Before examining the effects the downturn has had on computer magazines, it would be appropriate to briefly review the likely causes of the industry's stagnation.

- *Usefulness:* Few manufacturers have adequately addressed the issue of the personal computer's usefulness. As long as consumers reject the need of personal computers (57% in a 1984 Dataquest study), the product's primary target will mainly consist of hobbyists and early adopters. The lack of any major product innovation has further exacerbated this situation.

**1. Publication Failures by Type**

| Category | # | % |
|---|---|---|
| Business | 2 | 3.3 |
| Buyers Guides | 3 | 5.1 |
| Communications | 0 | 0.0 |
| Dealer/Trade | 2 | 3.3 |
| Education | 3 | 5.1 |
| General | 5 | 8.5 |
| Home/Youth | 7 | 11.9 |
| Machine Specific | 28 | 47.5 |
| Miscellaneous | 1 | 1.7 |
| Professional | 1 | 1.7 |
| Software | 4 | 6.8 |
| Technical | 3 | 5.1 |
| **Total:** | **59** | **100.0** |

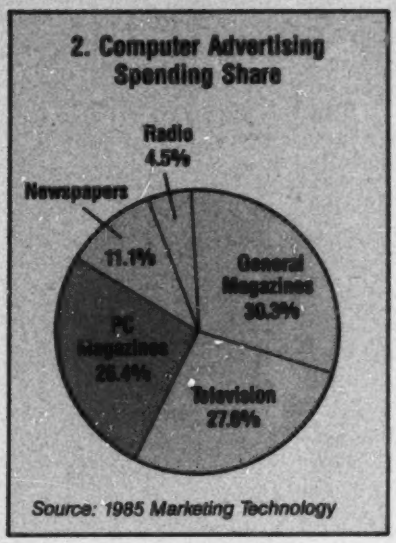
*Source: The Micromedia Guide*

- *Disposable income:* In recent years, strong competition from other leisure time activities have put a crimp on the funds available for personal computers. A recent study by Software Access suggests that most Apple Macintosh personal computers are purchased by Yuppies. This young, upscale, professional/managerial market segment is also responsible for the boom in video cassette recorder sales and European travel.
- *Market saturation:* Since the majority of personal computer buyers are hobbyists and early adopters, saturation has occured more rapidly than expected. Research data from MRI shows that 20 million American adults are considered to be super innovators. The total installed base of personal computers in homes and offices already exceeds 18 million.
- *Marketing inefficiency:* Computer advertisers' forays into mass-circulation magazines and television carries a penalty: Since most households (80%) today either lack a computer owner or user, the inefficiency of mass-marketing has negatively affected the return-on-investment efficiencies at many companies. Although mass media will remain popular with many computer marketers, the bottom line will dictate another approach for 1985.

### Magazine failures

A breakout of the 59 computer magazines that have either ceased publication or merged since the beginning of 1984 is shown in Chart 1.

Clearly, a pattern can be discerned with nearly half of the failures coming from the machine-specific area. This computer magazine sub-segment lost such publications as *Color Computer* (for Radio Shack), *Commander* (Commodore), *PC Consumer* (IBM), *Softalk*




(Apple), and *Smart* (Coleco). The spectrum of these machine-specific titles cover the gamut, so one must conclude that editorially targeting the right computer is not the only necessary ingredient for a successful machine-specific magazine.

Indicative of the difficulty of latching on to the right computer is the example of the publishers of PCjr magazines. The overwhelming acceptance of the IBM PC was thought to have assured the success of the PCjr. At the product's introduction, four publishers immediately jumped on the PCjr bandwagon with magazines aimed at owners of the new computer. A fifth publication, *PC World*, chose a more conservative route by publishing a special PCjr insert. The demise of the PCjr has not affected the publishing schedule of the *PCjr World* insert — the only surviving source for information about this computer. According to Cheryl Woodard, associate publisher of *PC World:* "The demise [of PCjr] is not a deathblow to the home industry."

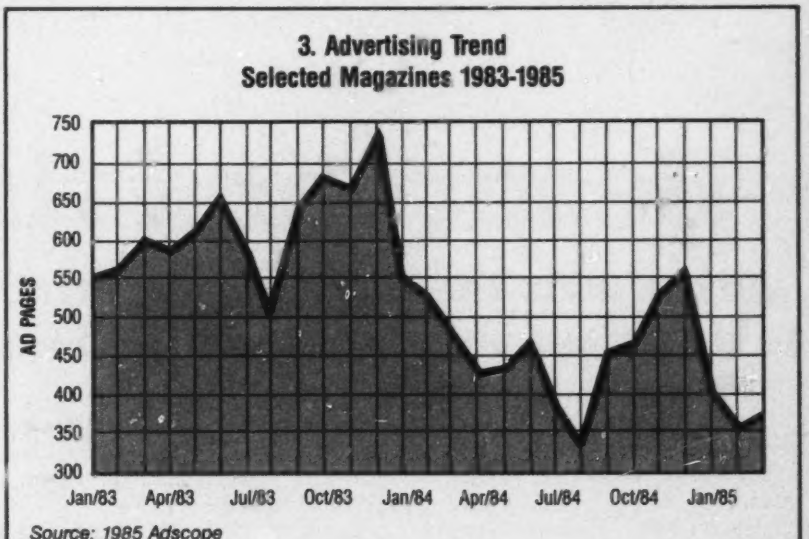
Yet in spite of these difficulties, many publishers continue to gamble on the newer computers by churning out machine-specific publications. Two new Macintosh magazines debuted recently: *Macazine* and *Mac User*. Felix Dennis, publisher of *Mac User*, feels there is still room for a high-quality Macintosh magazine with a lower CPM. Aimed at the fewer than 300,000 Macintosh owners, circulation departments of these magazines have their work cut out. Some of the other recent introductions, however, are more esoteric: *ATTAGE* is a new publication for AT&T's computers, while *Data General World* claims to reach owners of namesake PCs.

Two other computer magazine subsegments that claimed a large number of victims were those published for the home arena and software-only magazines. The exodus of the home market is characterized by *Popular Computing*'s recent changes. Effective with the June issue, *Popular Computing* will cease to cover home and educational computing. "*Popular Computing*'s reader has moved from being a novice/intermediate to primarily an intermediate user," says *Popular Computing*'s advertising/sales director, William Boyle. "As the market evolves, *Popular Computing* evolves with it." Reflecting this new positioning is a complete graphic redesign and a new subtitle: "Improving Productivity for Managers and Professionals."

Less laconic was Bob Lydon in his announcement of *Personal Software*'s demise: a 12-page letter placed much of the blame for *Personal Software*'s closing on the failure of the home market to develop. Retorts Shirrel Rhoades, publisher of *Family Computing:* "The use of computers at home is not going away. The market is being driven from business and education. New needs just have to be developed." Although some publication failures can be blamed on problems that plague every business — such as underfinancing, mismanagement and poor marketing — the primary reason computer magazines have ceased to thrive is twofold:

- Computer advertisers have taken to mass magazines and television with a vengeance. Chart 2 shows that the computer magazine budgets made up 26% of total ad spending. The remaining 74% was spent in mass media.
- A large number of Chapter 11s have rocked the computer industry, taking their toll on total advertising spending and also eroding the confidence of the remaining companies.

Yet there are some bright spots in computer magazine publishing. Lotus Development recently launched *Lotus* magazine, seeking to challenge the established business magazines — a field that is rapidly becoming overcrowded. According to publisher Dan McMillan, "Much of the advertising came from smaller companies who are less apt to have layers of management needing to review new magazines."




The myriad of small companies that spring up to sell add-ons to existing products point to another traditional strength of computer publishing: mail-order advertising. In fact, mail-order advertising may become the backbone of most computer magazines, now that the effectiveness of the computer retail system is increasingly being challenged.

Distribution problems are most acute for software companies, who find themselves caught in a Catch-22 situ-

ation: Computer retailers will not carry products that are not successful, but to be successful a product must have wide distribution. In a recent editorial entitled, "Retailer Sclerosis," James Fawcette, editorial director of *Infoworld*,, likened computer retail stores to "clogged arteries, stifling the flow of computer products and information to computer users."

Given this industry attitude, one can expect more software companies to take their wares to the consumer directly, thereby circumventing the retail clog. Reese Musgrave, publisher of *Computer+Software News* remains skeptical, however: "Retailing is as old as free enterprise and it functions very effectively in many fields including computer hardware and software." Adds Kenneth Cron, publisher of *Computer Retail News:* "Computer retailers are simply caught in a transitional period."

### Advertising performance

One of the major problems facing computer magazine publishers today is how to convince advertisers that computer magazines reach the core audience of computer buyers — or heavy users to use consumer marketing parlance. The magnitude of this problem becomes clear when one considers that although computer magazine advertising totaled $266 million in 1984, according to *Adscope*, this outlay is only good enough for third place among media spending. In first place are general magazines — registering the largest percentage increase in computer advertising revenues, according to PIB: a jump from $130 million in 1983 to $305 million in 1984. Meanwhile, network and spot television expenditure data supplied by TvB indicate that computer advertising increased 42% in 1984 to $278 million.

Yet while these media expenditures raised total personal computer advertising spending to over $1 billion dollars in 1984 — placing the category in fourth place behind foods, automotive, and cosmetics — ad spending is expected to level off this year. The slide in advertising started in January 1984 and shows no signs of abating. Chart 3 (see page 71) shows the combined advertising page trend of *Compute, Creative Computing, Personal Computing* and *Popular Computing* for the period of 1983 through March 1985. Since advertising rates rose significantly in 1984, the plunge in ad pages was not felt that much by most publishers. This year, however, rates have stabilized in the face of a weaker market, making the impact of lost ad pages much more evident (see Chart 4).

**4. First Quarter Comparison 84-85**

| Publication | 1984 | 1985 | Change |
|---|---|---|---|
| A+ | 228 | 351 | +54% |
| Business Computer Systems | 293 | 226 | −23% |
| Byte | 940 | 850 | −10% |
| Classroom Computer Learning | 104 | 47 | −55% |
| Compute | 297 | 175 | −41% |
| Compute's Gazette | 269 | 235 | −13% |
| Computing For Business | 123 | 97 | −21% |
| Creative Computing | 423 | 267 | −37% |
| Family Computing | 165 | 149 | −10% |
| Incider | 283 | 166 | −41% |
| InfoWorld | 577 | 390 | −32% |
| MacWorld | 21 | 262 | (1) |
| Nibble | 185 | 153 | −17% |
| PC | 1270 | 998 | −21% |
| PC Tech Journal | 365 | 318 | −13% |
| PC Week | 136 | 1013 | (2) |
| PC World | 643 | 511 | −21% |
| Personal Computing | 427 | 480 | +12% |
| Popular Computing | 334 | 237 | −29% |
| Run | 210 | 198 | −6% |
| 80 Micro | 380 | 220 | −42% |
| | Overall Decline: | | −19% |

(1) MacWorld published only 1 issue in Q1 84.
(2) PC Week published 5 issues in Q1 84.

*Source: 1985 Adscope*

Not all computer magazines have performed poorly; publications such as *PC Week* lead the stellar performers (see Chart 5).

Publisher Scott Briggs claims that *PC Week*'s success is due to a change in the marketplace: "Emphasis has shifted to the volume buyer. The successful retailers are those who have an outside sales force to call on these volume buyers."

### Circulation stall

As the early distant warning of the industry, the health and welfare of computer magazines is a direct reflection of any surfacing trends. One of the first indications that personal computer makers were not gaining new customers was reflected in the downward circulation trend of many computer magazines. An analysis in Chart 6 (see page 188) of the Audit Bureau of Circulations statements of *Compute, Personal Computing* and *Popular Computing* for the last two years shows this trend. With most of their dynamic growth behind them, computer magazines can only expect moderate readership gains in the next few years. Any significant expansion will be achieved by mergers or buyouts.

**5. Top Five Ranking Publications in Advertising First Quarter 1985**

| Publication | Adv. Pages | Revenues (000) |
|---|---|---|
| PC Week | 1,013 | $6,512.3 |
| PC Magazine | 998 | 7,697.8 |
| Byte | 850 | 7,542.6 |
| PC World | 511 | 4,393.2 |
| Personal Computing | 480 | 5,790.0 |

*Source: 1985 Adscope*

### The future

More computer magazines are certain to fail in the coming years. Although it is speculative at this point, most of these failures will continue to

Continued on page 188

# Restoring Jaguar's roar

**The luxury automobile has overcome a serious image problem that had devastated U.S. Jaguar sales. But through an effective quality assurance program, well-timed new model introductions and a pinpointed advertising campaign, Jaguar's getting its pounce back.**

Beautiful, glinting, haughty Jaguars lined Robert Atanasov's Whitehouse Station dealership in New Jersey. But the sight didn't make Atanasov or his customers happy. Instead of kicking the car's tires in appreciation, they were giving them the boot in frustration. For most of the magnificent machines were parked at the repair bay, waiting for an overbooked, overworked mechanic to bring them to life once again. As Atanasov remembers it, at least one-third of the Jaguars in for service were in such poor shape that they came via tow truck. The life of a Jaguar owner — or dealer — has not always been a happy one.

Nothing could be quite so damaging, particularly for a high-priced item like a sleekly designed Jag, than a poor reputation for durability. But Jaguar had such a poor image back in the 1970's and early 1980's that it was often the butt of cocktail party jokes — at least in those communities that clinked crystal. There were tales of how new Jaguars, despite their $30,000 price tags, didn't make it home from the showroom without breaking down, and yarns about the pitiful Jaguar buyer who needed one to drive while the other was in the shop.

Not enjoying the bellylaugh was the Jaguar purchaser — more likely than not a sophisticated mid-40's male with a college degree and an income exceeding $100,000. This person liked a joke, but not if it was on him. By 1980, the number who would risk spending a lavish sum on an elegant machine that couldn't perform had dwindled to under 3,000 — half of 1975's purchaser level.

Making matters even worse for the company was that the luxury car segment — particularly sales of foreign-built autos — was booming. Mercedes and BMW's were becoming practically *de rigeur* in certain upper-crust enclaves. Jaguar was getting locked out of a hot car market.

Finally Jaguar, which had not even had "the nerve to count defects per car," according to Mike Dale, vice president of marketing and sales for the company, began accepting the fault and the responsibility for righting what

went wrong the last decade.

Today, Jaguar is determined to correct its disastrous marketing problem. The company has made extensive managerial and production changes to ensure better quality. It is well on its way to introducing several new models, including a new luxury sedan to replace the popular XJ-6; shifting its dealerships; using a targeted advertising campaign and plotting follow-up research to mend its image.

Surprisingly, Jaguar is making progress in what many consider the most difficult challenge of all: changing negative opinion into positive. Sales have shot up by a multiplier of six to reach over 18,000 vehicles sold during 1984, and first quarter '85 sales have climbed another 10%, setting a record for the three-month period. Improved quality is a big reason for the gain. Dale recounts how warranty costs for faulty parts have been trimmed by two-thirds since 1980 — without tightening up the eligibility parameters of the guarantee. Dealer Atanasov reports he has far fewer cars in for repairs, though more Jaguars are on the road. *Car and Driver*, normally one of the automotive industry's harsher critics, is now saying some positively nice things about Jaguar. Mercedes is bringing out a car this fall to meet Jaguar head-on, while Hans Bartels, vice president of marketing for BMW, allows that the British automaker has made "major headway in product quality and customer satisfaction," key ingredients for success in the luxury car market.

Graham W. Whitehead, president of Jaguar Cars Inc., gives much of the credit for Jaguar's improving fortunes to John Egan, who became the company's chairman and ceo in 1980, with an ultimatum to "make the company return to profitability or close it . . . no in-betweens." The position had been vacant for five years until Egan, who had run parts operations at Massey-Ferguson and British Leyland, came on board. "Lee Iacocca is Britain's Egan," boasts Dale, who believes his boss's "convincing leadership style helped release the energies of the company."

Certainly Egan had, and has, his work cut out for him. The first thing the 45-year-old ceo had to do was straighten out Jaguar's complicated internal organization. Jaguar's image had sunk following the 1972 merger of its separate corporate identity into then-parent, British Leyland, the maker of the Triumph and Rover cars. Ostensibly, the reason for the combination was to build the image of the parent by capitalizing on Jaguar's strong demand and high quality pedigree. But British Leyland soon began applying mass production techniques to the production of Jaguars. The jewel in the crown began to slip at the same time losses mounted in other divisions. By 1975, British Leyland had to be rescued by a government takeover. With Jaguar's skilled workforce reduced to turning out cars from "Leyland Cars large assembly plant number one," instead of its own specialized facility, pride took a back seat, tells Dale.

**Tracking sales of luxury cars**

| | 1984 | % Change | 1983 | % Change | 1982 |
|---|---|---|---|---|---|
| Cadillac | 330,017 | + 3.0% | 320,337 | + 33.9% | 239,229 |
| Lincoln | 101,478 | + 99.1 | 101,574 | 9.1 | 93,068 |
| Volvo | 97,915 | + 11.7 | 87,662 | 12.6 | 77,868 |
| Mercedes | 81,081 | + 7.7 | 75,303 | + 15.0 | 65,454 |
| Audi | 70,280 | + 49.9 | 46,905 | + 3.1 | 45,536 |
| BMW | 60,600 | + 20.6 | 50,260 | + 12.6 | 44,604 |
| Saab | 32,709 | + 26.8 | 25,633 | + 41.7 | 18,229 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Rolls Royce | 1100 | — | — | — | — |

Source: J.D. Power & Assocs.

**There were tales of how new Jaguars, despite $30,000 price tags, didn't make it home from the showroom.**

Therefore, one of Egan's first moves was to reestablish Jaguar Cars as a single entity, complete with its own sales, marketing and production functions. Those moves were followed in 1983 by a broad British Government aim to sell off many state-owned assets. Last summer, Jaguar finally emerged as a privately owned company.

But the first outward sign of a turnaround occurred when Egan, better able to control Jaguar's destiny, mandated that new models roll off the production line in time for the big fall selling push, rather than slipping months behind, as was common during the late 70's.

"In the fall of 1980, the 1981 cars arrived in the United States in October, *on time*," Whitehead emphasizes. "We haven't missed an introduction date since," he adds.

But turning around Jaguar "involved the need for improving quality first and foremost," continues Whitehead. "Market research told us that there were plenty of Jaguar prospects just waiting for the opportunity to buy a Jaguar that was reliable. Dealers told the company that they could sell Jaguar if they were well made and in dependable supply," he relates.

Intent on ensuring Jaguar's renaissance, a confident Egan initiated an ongoing customer survey program with hundreds of Jaguar purchasers and competitive car owners to learn their experiences and complaints. The replies were correlated with company warranty statistics. As many as 150 product flaws were uncovered, ranging from faulty window switches to engine misfires. With nearly 60% of the defects attributable to suppliers, Egan told the manufacturers they would have to make good on their component failures and warranty costs. If they balked, Egan switched suppliers. In 1980, only 8% of Jaguar's parts were bought from non-U.K. sources. That figure currently stands at 19%.

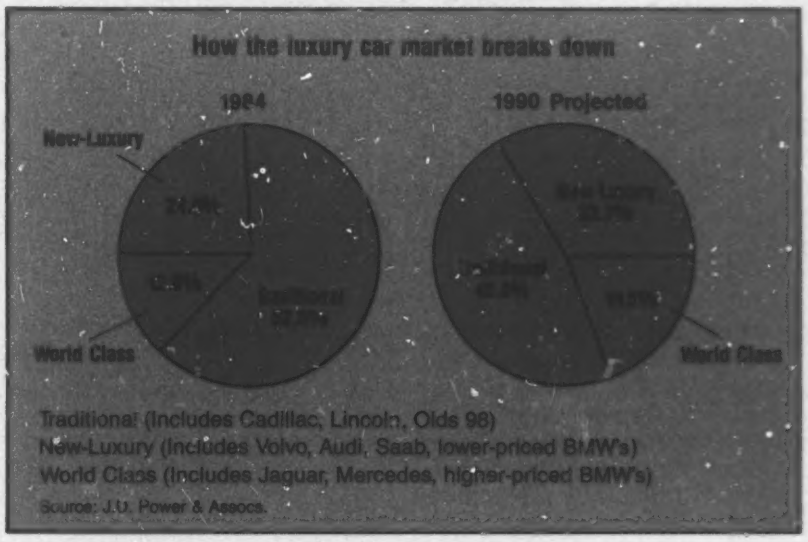
But there needed to be more than supplier changes. Egan set up dozens of multi-disciplinary task forces responsible for analyzing and solving the product flaws. The board of directors worked with the 12 worst problem areas, including the car's notorious poor starts during cold weather. In pursuit of greater involvement from the workers in monitoring quality, Egan established quality circles, a Japanese management technique. Now workers audit and grade cars at several intervals along the production route, from examining the integrity of parts on their arrival to the responsibility for pulling cars off the assembly line if workmanship seems less than perfect. Dealers also got into the act. Faulty parts uncovered during repair jobs were sent to the factory in order to pinpoint and rectify the cause of the problem.

As the number of Jag owners began to inch upward — from a dismal 3,000 in 1980 to 4,688 in 1981 — the company intensified its efforts to keep new buyers content. Jaguar put into action a quality tracking study which surveys some 200 car buyers one month after their purchase. Follow-up calls are initiated on a regular schedule, every eight months, then 18, 32 and finally 35 months after purchase. Once a year, Jaguar does the same type of customer research with recent purchasers of competitor cars. "It impresses customers and helps us to identify potential problems," says Dale. The program also goes a long way toward ending the cocktail party conversation working against Jaguar, he relates. "Imagine some guy at a party talking about how the company called him just to find out if he was satisfied with his new car," he says.

Jaguar's efforts to convince the public to try it again seems to be working. *Car and Driver's* editor-at-large, Patrick Bedard, practically gushes with enthusiasm over Jaguar's "return from the grave." Says he: "The car behaves fully as nicely as it looks. I think that the car that consumers wanted to love but couldn't is back, and the consumer is exonerated."

It may not be love yet, but deep affection may be apt in describing how consumers view Jaguar. In marketing and research consultant J.D. Power's customer satisfaction index, consumers ranked Jaguar second highest among the European makes, following only Mercedes-Benz, which was rated first place. This annual survey of buyers is conducted 12 to 14 months after the purchase of a domestic or imported car. In achieving an overall rank of six, Jaguar placed above BMW and Porsche, and well above Cadillac. That is strong progress from Jaguar's previous spotting. In the previous year's study, Jaguar scored only 101, one point above the industry average index based on 100.

A crucial part of Jaguar's campaign to change the market's perception of it has been an image campaign from ad agency Bozell & Jacobs touting the headline, "the best Jaguars ever built." Such a boast departed dramatically from past advertising emphasizing the car's beautiful styling, recalls Tim C'Leary, senior vice president and account supervisor at B&J, which has had the account since 1970.


How the luxury car market breaks down
1984
1990 Projected
New-Luxury
World Class
World Class
Traditional (Includes Cadillac, Lincoln, Olds 98)
New-Luxury (Includes Volvo, Audi, Saab, lower-priced BMW's)
World Class (Includes Jaguar, Mercedes, higher-priced BMW's)
Source: J.D. Power & Assocs.

Jaguar took a risk by advertising quality to a skeptical public. But ad manager Alan Taylor notes the gamble was offset by timing the campaign to coincide with the 1980 introduction of a modernized and improved XJ-6 sedan — its most popular model. The new car, equipped with fuel injection and electronic ignition, went a long way toward solving the car's poor performance in cold weather. Instinct and experience also led Taylor to opt for the positive ad approach. "We knew of another well-known importer that had quality problems and subsequently, a sales slide. When they got the problems fixed, they broke an ad campaign saying 'trust us, it's ok now.' But that just wasn't forceful enough," explains Taylor.

Jaguar's image ads broke with double-page spreads in several national magazines. Following the new sedan's introduction, Jaguar reverted to single page ads but continued to pelt the public with word of the car's improved performance. When Jaguar demonstrated faith in the product by introducing in 1982 a three-year, 36,000 mile warranty on all parts, the advertising hammered home the point.

Gaining confidence, Jaguar next attempted to regain its unique market position against competitive luxury cars. Unearthing a copy line that hadn't been used since the mid-70's, Jaguar and its agency began tagging each ad with "a blending of art and machine." The posture helped to distinguish Jaguar from Mercedes, which emphasizes quality engineering and BMW, which stresses performance, notes Bozell & Jacobs' O'Leary.

Although Jaguar's estimated annual ad budget of $5 million is relatively small (Mercedes spends $13 million; BMW, $10 million; and Cadillac, $15 million yearly), the campaign continues to work hard and effectively. O'Leary points out that Jaguar ads score well on Starch awareness tests, ranking consistently among the top automotive advertisers.

To reach its target audience of men, aged 35-64, with individual incomes of